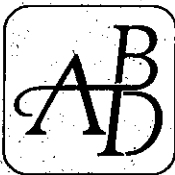


**Sandusky District Library**  
Sandusky, Michigan

**Report on Financial Statements**  
(with required supplementary and  
additional information)  
December 31, 2008

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# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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## INDEPENDENT AUDITOR'S REPORT

January 28, 2009

Members of the Board  
Sandusky District Library  
Sandusky, MI 48471

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities and the major funds of Sandusky District Library, Sandusky, Michigan, as of December 31, 2008, which collectively comprise the Library's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Sandusky District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities and the major funds of the Sandusky District Library as of December 31, 2008 and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i through ii and page 12, are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the primary government of Sandusky District Library's basic financial statements. The additional information on pages 13 and 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

**SANDUSKY DISTRICT LIBRARY**  
**Management's Discussion and Analysis**  
**December 31, 2008**

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The basic financial statements on pages 1 through 4 include information that presents two different views of the Library using the modified-accrual and full accrual methods.

The first two columns of the governmental fund balance sheet/statement of net assets and the governmental fund statement of revenue, expenditures, and changes in fund balance/statement of activities include information about the Library's General Fund and Debt Retirement Fund under the modified-accrual method. The modified-accrual basis focuses on current financial resources and provides a more detailed view about the accountability of the Library's sources and uses of the funds.

The adjustment column of the financial statements represents adjustments necessary to convert the modified-accrual financial statements to the Library as a Whole financial statements under the full-accrual method. The full-accrual basis focuses on long-term economic resources.

The Library as a Whole column provides both long-term and short-term information about the Library's overall financial status. The Library as a Whole statement of net assets – full-accrual basis column and the Library as a Whole statement of activities – full-accrual basis column provide information about the activities of the Library as a Whole and present a longer-term view of the Library's finances. These columns tell how these services were financed in the short-term, as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

**Condensed Financial Information**

Below shows the key financial information under the full-accrual method in a condensed format. Note: Amounts and totals reported are for all Library activities, including general operations, capital projects, and debt activity – to give a complete picture.

	<b>December 31, 2008</b>	<b>December 31, 2007</b>
<b>Assets</b>		
Current assets	\$691,576	\$ 688,045.00
Capital assets	589,094	622,639
Total assets	<u>\$1,280,670</u>	<u>\$1,310,684</u>
<b>Liabilities</b>		
Current liabilities	\$86,012	\$ 79,750.00
Long-term liabilities	415,000	480,000
Total liabilities	<u>\$501,012</u>	<u>\$ 559,750.00</u>
<b>Net Assets</b>		
Investment in capital assets – Net of related debt	\$109,094	\$ 87,639.00
Designated for debt retirement	2,848	2,452
Unrestricted	667,716	660,843
Total net assets	<u>779,658</u>	<u>750,934</u>
<b>Total Net Assets and Liabilities</b>	<u>\$1,280,670</u>	<u>\$1,310,684</u>

**SANDUSKY DISTRICT LIBRARY**  
**Management's Discussion and Analysis**  
**December 31, 2008**

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	<u>December 31, 2008</u>	<u>December 31, 2007</u>
<b>Revenue</b>		
Property taxes	\$281,993	\$273,790
Fines	41,303	44,222
Other	25,333	49,590
Total revenue	<u>348,629</u>	<u>367,602</u>
<b>Expenses</b>	<u>319,905</u>	<u>344,990</u>
<b>Change in Net Assets</b>	28,724	22,612
<b>Prior Period Adjustment</b>	-	265,628
<b>Net Assets, Beginning of year</b>	<u>750,934</u>	<u>462,694</u>
<b>Net Assets, End of year</b>	<u><u>\$779,658</u></u>	<u><u>\$750,934</u></u>

**The Library as a Whole**

The Library's net assets increased by \$28,724 this year. The Library's primary sources of revenue are from property taxes and fines.

Salaries and fringe benefits continue to be the largest expense for the Library's General Fund.

**The Library's Funds**

The budgetary analysis of the General Fund is included on page 12, which shows the General Fund, the Library's major operating fund, including revenues and expenditures, excess of revenue over expenditures, other financing sources and fund balance.

**Library's Budgetary Highlights**

Over the course of the year, the Library Board amended the General Fund's budget several times. The major variance between original and final budget was Capital Outlay, which was increased by \$12,500.

**Capital Assets and Long-term Debt Activity**

At the end of the fiscal year, the Library had \$1,049,241 invested in buildings, furniture, equipment, books, and videos based on the historical cost. During the year \$35,889 was spent on books and \$2,811 was spent on furniture and fixtures.

The Library issued bonds during the year ended June 8, 1998 totaling \$925,000 for the construction of the library building. Bonds in the amount of \$55,000 were redeemed during the current year.

**Requests for Information**

This financial report is designed to provide a general overview of Sandusky District Library's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Sandusky District Library, 55 East Sanilac Rd., Sandusky, MI 48471.

## **BASIC FINANCIAL STATEMENTS**

**Sandusky District Library**  
Governmental Fund Balance Sheet/Statement of Net Assets  
For the Year Ended December 31, 2008

	<b>GOVERNMENTAL FUND TYPES</b>	
	<b>MAJOR FUNDS</b>	
	<b>General</b>	<b>Debt Retirement</b>
<b><u>ASSETS</u></b>		
CURRENT ASSETS:		
Cash in bank	\$ 55,561	
Certificates of deposit	66,902	
Taxes Receivable		
Accounts Receivable		
Due from general fund		\$ 2,848
TOTAL CURRENT ASSETS	122,463	2,848
CAPITAL ASSETS:		
Capital assets, net of accumulated depreciation	-	
TOTAL CAPITAL ASSETS	-	-
<b>TOTAL ASSETS</b>	<b>\$ 122,463</b>	<b>\$ 2,848</b>
<b><u>LIABILITIES</u></b>		
CURRENT LIABILITIES:		
Payroll liabilities	\$ 2,498	
Accrued sick leave	9,936	
Current portion of long-term debt		
Accrued interest		
Due to debt retirement fund	2,848	
TOTAL CURRENT LIABILITIES	15,282	-
LONG-TERM LIABILITIES		
Bonds payable beyond one year		
TOTAL LONG-TERM LIABILITIES	-	-
TOTAL LIABILITIES	15,282	-
<b><u>FUND BALANCE /NET ASSETS</u></b>		
Invested in capital assets, net of related debt		
Designated for debt retirement		\$ 2,848
Unrestricted	107,181	
TOTAL FUND BALANCE/NET ASSETS	107,181	2,848
<b>TOTAL LIABILITIES AND FUND BALANCE/ NET ASSETS</b>	<b>\$ 122,463</b>	<b>\$ 2,848</b>

The accompanying notes are an integral part of the financial statements.

Capital Project	Total - Modified- Accrual Basis	GASB No. 34 Adjustments (Note 3)	Library as a Whole
			Statement of Net Assets- Full-Accrual Basis
\$ 19,693	\$ 75,254		\$ 75,254
264,361	331,263		331,263
	-	\$ 280,737	280,737
	-	1,474	1,474
	2,848		2,848
284,054	409,365	282,211	691,576
	-	589,094	589,094
	-	589,094	589,094
<b>\$ 284,054</b>	<b>\$ 409,365</b>	<b>\$ 871,305</b>	<b>\$ 1,280,670</b>
	\$ 2,498		\$ 2,498
	9,936		9,936
	-	\$ 65,000	65,000
	-	5,730	5,730
	2,848		2,848
	15,282	70,730	86,012
	-	415,000	415,000
	-	415,000	415,000
	15,282	485,730	501,012
		109,094	109,094
	2,848	-	2,848
\$ 284,054	391,235	276,481	667,716
284,054	394,083	385,575	779,658
<b>\$ 284,054</b>	<b>\$ 409,365</b>	<b>\$ 871,305</b>	<b>\$ 1,280,670</b>



**Sandusky District Library**  
**Statement of Governmental Fund Revenue, Expenditures And**  
**Changes In Fund Balance/Statement of Activities**  
**For the Year Ended December 31, 2008**

	<u><b>GOVERNMENTAL FUND TYPES</b></u>	
	<u><b>General</b></u>	<u><b>Debt Retirement</b></u>
<b>REVENUES:</b>		
Intergovernmental Revenue	\$ 188,728	\$ 81,051
Fines	41,303	
Miscellaneous	15,495	
<b>TOTAL REVENUES</b>	<u>245,526</u>	<u>81,051</u>
<b>EXPENDITURES:</b>		
Salaries and employee benefits	124,745	
Library materials	47,414	
Operational	70,729	
Miscellaneous	1,835	
Capital outlay	14,476	
Depreciation	-	
Debt service-principal	-	55,000
Debt service-interest	-	25,655
<b>TOTAL EXPENDITURES</b>	<u>259,199</u>	<u>80,655</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	(13,673)	396
<b>OTHER FINANCING SOURCES (USES):</b>		
Operating transfers - in	67,684	
Operating transfers - out		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>67,684</u>	<u>-</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	54,011	396
<b>FUND BALANCE/NET ASSETS - JANUARY 1</b>	<u>53,170</u>	<u>2,452</u>
<b>FUND BALANCE/NET ASSETS - DECEMBER 31</b>	<u>\$ 107,181</u>	<u>\$ 2,848</u>

The accompanying notes are an integral part of the financial statements.

<b>Capital Project</b>	<b>Total - Modified- Accrual Basis</b>	<b>GASB No. 34 Adjustments (Note 3)</b>	<b>Library as a Whole Statement of Net Assets- Full-Accrual Basis</b>
	\$ 269,779	\$ 12,214	\$ 281,993
	41,303		41,303
\$ 11,521	27,016	(1,683)	25,333
11,521	338,098	10,531	348,629
	124,745		124,745
	47,414	(35,889)	11,525
	70,729		70,729
	1,835		1,835
	14,476	(10,315)	4,161
	-	79,748	79,748
	55,000	(55,000)	-
	25,655	1,507	27,162
-	339,854	(19,949)	319,905
11,521	(1,756)	30,480	28,724
(67,684)	67,684		
(67,684)	(67,684)		
(67,684)	-		-
(56,163)	(1,756)	30,480	28,724
340,217	395,839	355,095	750,934
\$ 284,054	\$ 394,083	\$ 385,575	\$ 779,658

**Sandusky District Library**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2008**

**NOTE 1 - DESCRIPTION OF DISTRICT LIBRARY OPERATIONS AND FUND TYPES:**

The City of Sandusky and the Sandusky Community Schools entered into a District Library agreement on March 3, 1998 under the provisions of Act 24, Michigan Public Acts of 1989, as amended. The Board of Trustees determined that the Library shall be known as the "Sandusky District Library." The District Library district shall be comprised of all that territory in the County of Sanilac, which is located in the jurisdiction limits of the Sandusky Community Schools, State of Michigan.

The District Library is governed by a board consisting of seven members, three appointed by the City, and four appointed by the school district.

On March 3, 1998, the Board of the City of Sandusky transferred ownership of all other assets, personal, tangible and intangible relating to the funds of the Library, to the Sandusky District Library.

Funding will be provided by a Library District millage. In 1998 the voters approved a maximum 1 mill levy for operations and an amount sufficient to cover any debt. For the year 2008, the operations levy was .75 mill and the debt levy was .40 mill.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**BASIS OF ACCOUNTING:**

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. There is no component unit to be included in the Library's financial report.

Effective January 1, 2006, the Library implemented the provisions of GASB Statement No. 34 (GASB 34), *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain significant changes in the statements include the following:

A management Discussion and Analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations has been included in the financial statements.

Financial statements prepared using full accrual accounting for all of the Library's activities.

A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements).

**Sandusky District Library**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2008**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION:**

The Library's basic financial statements include both the Library as a Whole and its individual fund financial statements.

**Library as a Whole Financial Statements**

The Library as a Whole financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which is described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The statement of activities includes depreciation on long-term assets and eliminates capital outlay expense.

As a general rule, the effect of inter-fund activity has been eliminated from the library-wide financial statements.

**Fund Financial Statements**

The Library's individual fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting, which is described below.

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

The Library reports the following governmental funds as major funds:

*General Fund* - The General Fund is the Library's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

*Debt Service Fund* - The Debt Service Fund was established to make principal and interest payments on the Library's debt.

*Capital Projects Fund* – The Capital Projects Fund is used to account for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

The Library has no non-major funds.

**Sandusky District Library**  
Notes to the Financial Statements  
For the Year Ended December 31, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY:**

**Cash and Investments** – The Library considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Investments are recorded at fair value.

**Receivables and Payables** – In general, outstanding balances between funds are reported as “due to/from other funds.”

**Property Taxes** – Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed. The 2007 taxable valuation of the Library totaled approximately \$206,555,819 on which ad valorem taxes levied consisted of 1.10 mills for the Library’s operating purposes and for debt retirement.

The Library also receives an additional millage from the County of Sanilac.

**Capital Assets** – Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, furniture, equipment, library books, periodicals, and videos are depreciated using the straight-line method over the following useful lives:

Books/Periodicals	5 years
Building Improvements	10 - 40 years
Equipment	5 - 10 years
Furniture & Fixtures	5 - 10 years

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose.

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Sandusky District Library**  
Notes to the Financial Statements  
For the Year Ended December 31, 2008

**NOTE 3 – RECONCILIATION OF THE LIBRARY AS A WHOLE AND THE GOVERNMENTAL FUNDS FINANCIAL STATEMENTS:**

Total fund balances and the net change in fund balances of the Library's individual funds differ from net assets and change in net assets of the Library as a Whole reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current focus of the statement of the individual governmental funds' balance sheet and statement of revenue, expenditures and change in fund balance. The following is a reconciliation of fund balances to net assets and the net change in fund balances to the net change in net assets:

<b>Total Fund Balance – Modified-accrual Basis</b>	<b>\$ 394,083</b>
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Amounts reported in the statement of net assets are different because:

Property taxes receivable - 2008 levy	280,737
Accounts receivable are not reported in the funds	1,474
Capital assets are not financial resources and are not reported in the funds	589,094
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(480,000)
Interest payments on long-term liabilities are not due and payable in the current period and are not reported in the funds	(5,730)

<b>Total Net Assets – Full-accrual Basis</b>	<b>\$ 779,658</b>
--	-------------------

<b>Net Change in Fund Balances - Modified - Accrual Basis</b>	<b>\$ (1,756)</b>
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Amounts reported in the statement of net activities are different because:

Increase in property taxes receivable	12,214
Miscellaneous Revenue	(1,683)

Governmental funds report capital outlay as expenditures in the the statement of activities; these costs are allocated over their estimated useful lives as depreciation:

Library books and videos	35,889
Capital Outlay	10,315
Depreciation expense	(79,748)

Bond payments are reported as an expense in the fund statements, but not in the statement of net activities (where it decreases long-term debt)	55,000
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Decrease in accrued interest reported as an expenditure in the statement of activities, but not in the fund statements	(1,507)
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<b>Change in Net Assets - Full-accrual Basis</b>	<b>\$ 28,724</b>
--	------------------

**Sandusky District Library**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2008**

**NOTE 4 – BUDGET INFORMATION:**

The annual budget is prepared and adopted by the Library Board and subsequent amendments are approved by the Library Board. Unexpended appropriations lapse at year-end. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. During the current year, the budget was amended in a legally permissible manner.

The budget has been adopted on a line-item basis. The General Fund exceeded their budget for Library Materials by \$6,214, Miscellaneous Expense by \$335, and Capital Outlay by \$1,976.

**NOTE 5 - CASH AND EQUIVALENTS - CREDIT RISK:**

**Deposits**

At year-end, the carrying amount of the Library's deposits was \$406,517 of which \$331,263 is invested in certificates of deposits. The bank balance was \$407,851 all of which was covered by federal depository insurance. The Library places its deposits with high quality financial institutions.

**Investments**

The Library has no investments.

	<b>Primary Government</b>
Cash	<u>\$406,517</u>

Additional disclosures required by GASB 40 are not included in the accompanying financial statements.

**NOTE 6 – CAPITAL ASSETS:**

Capital asset activity of the Library was as follows:

	<b>BALANCE JANUARY 1, 2008</b>	<b>ADDITIONS</b>	<b>DELETIONS</b>	<b>BALANCE DECEMBER 31, 2008</b>
Capital assets being depreciated:				
Books/Periodicals	\$ 214,728	\$ 35,889	\$ 47,312	\$ 203,305
Building & Improvements	624,572	2,803		627,375
Equipment	78,441	4,700		83,141
Furniture & Fixtures	132,609	2,811		135,420
Total capital assets, being depreciated	1,050,350	46,203	47,312	1,049,241
Less accumulated depreciation for:				
Books/Periodicals	128,758	40,661	47,312	122,107
Building & Improvements	141,598	18,524		160,122
Equipment	64,456	7,021		71,477
Furniture & Fixtures	92,899	13,542		106,441
Total accumulated depreciation	427,711	79,748	47,312	460,147
Total net capital assets	<u>\$ 622,639</u>	<u>\$ (33,545)</u>	<u>\$ -</u>	<u>\$ 589,094</u>

**Sandusky District Library**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2008**

**NOTE 7 – LONG-TERM DEBT:**

**Outstanding Debt**

	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
1999 Library Building & Site (UTGO) Bonds Payable	4.3 – 5.0%	<u>\$535,000</u>	<u>\$0</u>	<u>(\$55,000)</u>	<u>\$480,000</u>

**Debt Service Requirements**

The annual requirements to service all debt outstanding as of December 31, 2008 are as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	65,000	22,920	87,920
2010	70,000	19,996	89,996
2011	75,000	16,776	91,776
2012	80,000	13,250	93,250
2013	90,000	9,410	99,410
2014	<u>100,000</u>	<u>5,000</u>	<u>105,000</u>
Total	<u>\$480,000</u>	<u>\$87,352</u>	<u>\$567,352</u>

**NOTE 8 – BOND PROPOSALS:**

The Board is empowered to propose and levy upon approval of the electors a tax for support of the District Library. On June 8, 1998, voters approved two special proposals for the District Library. The first proposal was for a library millage allowing the levy of up to 1 mill for operational; the second, was a bond proposal to borrow up to \$925,000 through general obligation unlimited tax bonds for the purpose of a acquiring, construction, furnishing and equipping a new library facility and acquiring and improving the site. It may also borrow money and issue bonds pursuant to the District Library Financing Act 265 of 1988.

**NOTE 9- RISK MANAGEMENT:**

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Library carries commercial insurance to cover any losses that may result from the above-described activities. No settlements have incurred in excess of coverage in 2008 or any of the prior three years.

**NOTE 10 - PENSION PLAN:**

**DEFINED BENEFIT PLAN:**

On December 28, 1998, the Sandusky District Library elected to place all of its eligible employees into the Michigan Municipal Employees Retirement System (MERS) which is an agent multiple-employer public employee retirement system (PERS) that is administered by the state of Michigan. The MERS was organized pursuant to Act No. 427, Public Acts of 1984, as amended, and the Constitution of the state of Michigan. The Library has no fiduciary responsibility for the plan. The plan has an effective date of January 1, 1999.

Only the full-time employees are eligible to participate in the plan and may contribute 5% of their salaries to MERS. As of December 31, 2008, the Library had two employees who were covered under the plan.

The plan provides for vesting of benefits after six years of credited service. Participants may elect normal retirement at age 60 with 10 or more years of service. The plan also provides for early retirement at age 55 with 15 or more years of service, and at age 50 with 25 or more years of service. Election of early retirement is subject to reduction of benefits as outlined below.



**Sandusky District Library**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2008**

**NOTE 10 - PENSION PLAN, (continued):**

Participants of the plan are entitled to a retirement benefit equal to the credited service at the time of membership termination multiplied by 1.5% of the member's final average compensation (5-year average). The retirement allowance is reduced ½% of 1% for each complete month that retirement precedes the age at which full normal retirement benefits are available. The plan provides that the employer contribute amounts necessary to fund the actuarially determined benefits. The Library makes employer contributions in accordance with funding requirements determined by MERS' actuary. The MERS' actuary uses the entry age normal actuarial cost method. Benefit provisions and contribution obligations have been established by the contract.

**PENSION BENEFIT OBLIGATION:**

The Pension Benefit Obligation (PBO) which is the actuarial present value of pension benefits, adjusted for the effect of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess, on a going-concern basis, the funding status of the MERS to which contributions are made, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. For 2008, the contribution rate is 7.33% of eligible covered employees wages.

The significant actuarial assumptions that are expected to be used to compute the actuarial accrued liabilities are as follows: (1) the entry age normal actuarial cost method of valuation was used in determining age and service benefit liabilities and normal cost; (2) an 8% rate of return on investment of present and future assets was used based on estimated long-term yield considering a) the nature and mix of current and expected investments; and b) the basis used to value those assets; (3) projected salary increases are based on 5.5% raises for merit, seniority and inflation rate allowances. Benefits will not increase after retirement except that some participants will receive cost of living allowances. Unfunded accrued liabilities are amortized over a 40-year period.

The book value of net assets was not available at December 31, 2008. The information regarding market value of net assets was not available. Information about the types of securities that comprise the assets was not available at December 31, 2008. MERS had no loans outstanding to the Library at December 31, 2008.

**CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE:**

**COMPUTED EMPLOYER COMPARATIVE SCHEDULE**

<b><u>FISCAL YEAR DECEMBER 31,</u></b>	<b><u>CONTRIBUTION RATES AS PERCENTS OF COVERED PAYROLL</u></b>	<b><u>COVERED PAYROLL</u></b>	<b><u>DOLLAR CONTRIBUTION FOR FISCAL YEAR</u></b>	
			<b><u>COMPUTED</u></b>	<b><u>ACTUAL</u></b>
2004	8.46%	\$60,484	\$5,117	\$5,087
2005	9.42%	\$62,296	\$5,868	\$5,868
2006	7.30%	\$62,296	\$4,548	\$4,325
2007	7.37%	\$65,312	\$4,813	\$4,761
2008	7.33%	\$65,746	\$4,819	\$4,875

**HISTORICAL TREND INFORMATION**

Historical trend information is not available.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Sandusky District Library**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended December 31, 2008**

	<b>BUDGET</b>			<b>VARIANCE- FAVORABLE (UNFAVORABLE)</b>
	<b><u>ORIGINAL</u></b>	<b><u>FINAL</u></b>	<b><u>ACTUAL</u></b>	
<b>REVENUES:</b>				
Local & State Grants	\$ 6,000	\$ 6,000	\$ 4,796	\$ (1,204)
Fines	37,000	37,000	41,303	4,303
Property Taxes	181,501	181,501	183,932	2,431
Miscellaneous	-	-	15,495	15,495
<b>TOTAL REVENUES</b>	<b><u>224,501</u></b>	<b><u>224,501</u></b>	<b><u>245,526</u></b>	<b><u>21,025</u></b>
<b>EXPENDITURES:</b>				
Salaries and employee benefits	126,289	126,829	124,745	2,084
Library materials	41,200	41,200	47,414	(6,214)
Operational	72,950	72,950	70,729	2,221
Miscellaneous	1,500	1,500	1,835	(335)
Capital outlay	-	12,500	14,476	(1,976)
<b>TOTAL EXPENDITURES</b>	<b><u>241,939</u></b>	<b><u>254,979</u></b>	<b><u>259,199</u></b>	<b><u>(4,220)</u></b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b><u>(17,438)</u></b>	<b><u>(30,478)</u></b>	<b><u>(13,673)</u></b>	<b><u>16,805</u></b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers - in			67,684	67,684
Operating transfers - out				-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			<b><u>67,684</u></b>	<b><u>67,684</u></b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>			<b><u>54,011</u></b>	<b><u>54,011</u></b>
<b>FUND BALANCE - JANUARY 1</b>	<b><u>53,170</u></b>	<b><u>53,170</u></b>	<b><u>53,170</u></b>	<b><u>-</u></b>
<b>FUND BALANCE - DECEMBER 31</b>	<b><u>\$ 35,732</u></b>	<b><u>\$ 22,692</u></b>	<b><u>\$107,181</u></b>	<b><u>\$ 84,489</u></b>

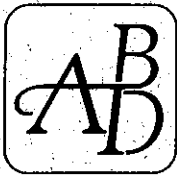
## **ADDITIONAL INFORMATION**

**Sandusky District Library**  
**Schedule of Revenues**  
**Year Ended December 31, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Intergovernmental Revenue			
State grants	\$ 6,000	\$ 4,796	\$ (1,204)
Property taxes	<u>181,501</u>	<u>183,932</u>	<u>2,431</u>
Total Grants	<u>187,501</u>	<u>188,728</u>	<u>1,227</u>
Fines:			
Library fines	7,000	10,182	3,182
Penal fines	<u>30,000</u>	<u>31,121</u>	<u>1,121</u>
Total Fines	<u>37,000</u>	<u>41,303</u>	<u>4,303</u>
Miscellaneous:			
Interest	-	4,273	4,273
Miscellaneous	-	9,658	9,658
Contributions	<u>-</u>	<u>1,564</u>	<u>1,564</u>
Total Miscellaneous	<u>-</u>	<u>15,495</u>	<u>15,495</u>
TOTAL REVENUES	<u>\$224,501</u>	<u>\$245,526</u>	<u>\$ 21,025</u>

**Sandusky District Library**  
**Schedule of Expenditures**  
**Year Ended December 31, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Salaries & Employee Benefits:			
Salaries	\$ 109,129	\$ 105,400	\$ 3,729
Employee Benefits	17,700	19,345	(1,645)
Total Salaries & Employee Benefits	126,829	124,745	2,084
Library Materials:			
Books, magazines & videos	40,000	46,150	(6,150)
Printing	1,200	1,264	(64)
Total Library Materials	41,200	47,414	(6,214)
Operational:			
Computer expense	9,500	9,169	331
Seminars & transportation	750	182	568
Insurance and bonds	5,000	3,388	1,612
Utilities	18,000	17,691	309
Repairs & maintenance	7,250	6,668	582
Cleaning service	13,500	15,802	(2,302)
Office supplies & postage	9,000	5,566	3,434
Professional fees	2,650	2,790	(140)
Programs	3,500	5,536	(2,036)
Dues	3,800	3,937	(137)
Total Operational	72,950	70,729	2,221
Miscellaneous:			
Other miscellaneous	1,500	1,835	(335)
Capital Outlay	12,500	14,476	(1,976)
TOTAL EXPENDITURES	<u>\$ 254,979</u>	<u>\$ 259,199</u>	<u>\$ (4,220)</u>



# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

## Certified Public Accountants

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Gary R. Anderson, CPA  
Jerry J. Bernhardt, CPA  
Thomas B. Doran, CPA  
Valerie J. Hartel, CPA  
Terry L. Haske, CPA  
Jamie L. Peasley, CPA  
Timothy Franzel  
.....  
Robert L. Tuckey, CPA

January 28, 2009

To the Members of the Board  
Sandusky District Library

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sandusky District Library for the year ended December 31, 2008, and have issued our report thereon dated January 28, 2009. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 28, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on January 28, 2009.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Sandusky District Library are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ending December 31, 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

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Cass City & Marlette

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated January 28, 2009.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

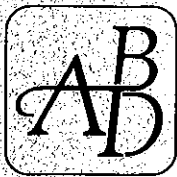
This information is intended solely for the use of the Members of the Board and management of Sandusky District Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

Anderson, Tuckey, Bernhardt, & Doran, P.C.  
Certified Public Accountants





# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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January 28, 2009

To the Members of the Board and Gail Nartker, Director  
Sandusky District Library

In planning and performing our audit of the financial statements of Sandusky District Library as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Library's internal control. During the course of our audit, we observed the following significant deficiency:

#### **Segregation of Duties**

Due to the limited number of people, many critical duties are combined and given to the available employees. To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system possible. We recommend the Library segregate duties whenever possible.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Library's internal control.

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

The following comments relate to certain of the Library's accounting, financial and administrative policies and procedures that we observed during the course of our audit. These matters are not considered control deficiencies or material weaknesses as defined by professional standards.

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**Prior Year Repeat Comments**

**Inter-fund Transfers**

At year-end, management had not determined transfers between funds. We recommend transfers between funds be determined and approved by the board at or before year-end.

**Excess Budget Expenditures**

We noted that actual expenditures exceeded that of the adopted budget. If expenditures are to exceed budgeted amounts, the budget must be amended. Section IV-2 of Public Act 621 requires that the budget be amended prior to expenditures being made. The budget may not be amended after year-end.

We recommend the Library review the budget requirements under P.A. 621 and correct Library policies as needed.

**Internal Control Procedures**

A cash box is kept at the front desk for payments of fines, copies, etc. This box is not locked and is accessible by all employees. Our recommendation is that the box is kept in a location that can be locked, especially after hours. We also recommend that a detailed record of transactions be kept and reconciliation be performed weekly.

This communication is intended solely for the information and use of management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to be of service to Sandusky District Library and look forward each year to continuing our relationship. The cooperation extended to us by your staff throughout the audit was greatly appreciated. Should you wish to discuss any item included in this letter further, we would be happy to do so.

Very truly yours,

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

Anderson, Tuckey, Bernhardt & Doran, P.C.  
Certified Public Accountants